



Economic Impact Analysis Virginia Department of Planning and Budget

18 VAC 85-20 – Department of Health Professions, Board of Medicine Regulations Governing the Practice of Medicine, Osteopathy, Podiatry, and Chiropractic October 24, 2003

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.G of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

Summary of the Proposed Regulation

The board of medicine (the board) proposes to permanently raise its licensure fees to meet the requirements of HB 1441 and Chapter 1042, Item 321 of the 2003 General Assembly. The proposed new fee schedule has been in effect since July 2003 under the emergency regulations.

Estimated Economic Impact

The proposed changes permanently increase various licensure fees paid by doctors of medicine, osteopathy, podiatry, and chiropractic. The main purpose of the fee increase is to collect additional revenues to comply with the requirements of HB 1441. This bill strengthens the requirements for health care institutions to report misconduct by doctors and reduces the threshold for disciplinary action from gross negligence to simple negligence. As a result, the board expects 160 additional reports of misconduct that will be fully investigated, 95 informal conferences, and 25 formal conferences. Additionally, approximately 375 confidential consent agreements (a new disciplinary instrument introduced by the bill) are expected. A secondary

purpose of the fee increase is to collect additional revenues to comply with the requirements of Chapter 1042, Item 321 of the 2003 Acts of Assembly. This bill mandates the transfer of \$560,568 from the Department of Health Profession's budget to the Virginia Department of Health for financial incentives such as scholarships to physicians who commit to practice in underserved areas of the Commonwealth. The total fiscal effect of increased reporting, investigations, disciplinary proceedings, enforcement and the transfer of funds to the Department of Health is estimated to be approximately \$3.7 million per biennium. The proposed fee changes to finance the anticipated shortfall are as follows:

- Increase application fee from \$225 to \$302 for licensure in medicine, osteopathy, and podiatry and from \$200 to \$277 for licensure in chiropractic.
- Increase biennial renewal fee of an active license from \$260 to \$337 for licensure in medicine, osteopathy, and podiatry and from \$235 to \$312 for licensure in chiropractic.
- Increase late fee for biennial renewal from \$90 to \$115 for licensure in medicine, osteopathy, and podiatry and from \$80 to \$105 for licensure in chiropractic.
- Increase reinstatement fee for a lapsed license (a license not renewed within two years after expiration) from \$305 to \$382 for licensure in medicine, osteopathy, and podiatry and from \$290 to \$367 for licensure in chiropractic.
- Increase biennial renewal fee of an inactive license from \$130 to \$168 and increase late renewal fee of an inactive license from \$45 to \$55.

While the purpose of the proposed increase in fee schedule is to finance the additional expenditures introduced by HB 1441 and Item 321 of Chapter 1042, failure to collect additional revenues would undermine the ability of the board to perform all of its functions rather than only those functions recently introduced by the statutory changes. Thus, the benefit of the proposed fee increases is maintaining the level of public service provided by the board (i.e. protecting public health and safety through licensing, investigations of complaints, adjudication of disciplinary cases, etc.).

Although the total increase in compliance costs amounts to \$3.7 million per biennium, from an individual perspective, a \$77 increase in fees is a small portion of the total cost of entry (including all education and training expenses) into one of these medical professions. Thus, the

proposed fee increases are unlikely to significantly alter decision of individuals to entry or exit these medical professions.

The proposed regulations also contain three minor changes, which are not expected to produce any significant economic effect. The language establishing \$85 fee for board approval to sit for Part 3 of the United States Medical Licensing examination will be deleted as this fee is no longer collected; students are currently allowed to participate in the exam without the board's approval. Thus, this change will remove an obsolete fee in the regulations and more accurately reflect the current practice. Similarly, another change will clarify that the licensure renewal occurs in each even-numbered year. Finally, the reference to the Code of Virginia with respect to reinstatement of licensure will be revised as legislative changes eliminated current referenced section and inserted a new section in its place. The relevant references and language is modified in a way that will maintain the same requirements as before.

Businesses and Entities Affected

There are currently 29,223 doctors of medicine and surgery, 1,018 doctors of osteopathy, 499 doctors of podiatry, and 1,634 doctors of chiropractic licensed in the Commonwealth.

Localities Particularly Affected

The proposed fee increases do not affect any particular locality more than others.

Projected Impact on Employment

Since the increase in licensure fees is a relatively small portion of the total cost of entry, no significant effect on employment in affected medical professions is expected. However, it is anticipated that additional 27 full time administrative positions will be needed by the boards of medicine, nursing, and pharmacy as a result of HB 1441. Of the 27, the number of positions that will be devoted to the board of medicine is not known at this time. These positions will be filled as needed.

Effects on the Use and Value of Private Property

The effect of the proposed fee increases on the value of individual medical practices is expected to be small. However, the economic theory provides that the decrease in the aggregate value of privately owned medical practices should be equal to the aggregate decrease in profit streams, which will be equal to the total amount of fees collected from these practices.